

DRINKING WATER  
STATE REVOLVING FUND  
DRAFT INTENDED USE PLAN  
FOR THE  
STATE OF IOWA  
FISCAL YEAR 2005



Iowa Department of Natural Resources  
Environmental Services Division  
July 1, 2004

## Table of Contents

<b>I.</b>	<b>INTRODUCTION.....</b>	<b>3</b>
<b>II.</b>	<b>DWSRF FUNDS.....</b>	<b>3</b>
<b>III.</b>	<b>FISCAL YEAR 2005 PROJECT PRIORITY LIST.....</b>	<b>3</b>
	A. UNFUNDED PRIOR YEARS' PROJECTS.....	4
	B. SEGMENTS OF PREVIOUSLY FUNDED PROJECTS.....	4
	C. NEW PROJECTS.....	4
	D. SUPPLEMENTAL LOANS.....	4
	E. SUMMARY OF CHART 1.....	4
	F. CHART 2: INTENDED USE PLAN CONTINGENCY PROJECTS.....	5
<b>IV.</b>	<b>LONG-TERM AND SHORT-TERM GOAL STATEMENTS.....</b>	<b>5</b>
	A. LONG-TERM GOALS.....	5
	B. SHORT-TERM GOALS.....	5
<b>V.</b>	<b>INFORMATION ON THE DWSRF ACTIVITIES TO BE SUPPORTED.....</b>	<b>6</b>
	A. ALLOCATION OF FUNDS.....	6
	B. SOURCES AND USES OF AVAILABLE DWSRF FUNDS.....	6
	C. DWSRF POLICIES.....	7
	1. Loan Interest Rate.....	7
	2. Maximum Loan.....	7
	3. Project Readiness and Available Funds.....	7
	4. Funding Limitations.....	7
	D. INTENDED USE OF SET-ASIDES.....	8
	1. DWSRF Program Administration Set-Aside.....	8
	2. Small System Technical Assistance Set-Aside.....	8
	3. State Program Support Set-Aside.....	9
	4. Source Water Protection Implementation Set-Aside.....	9
	E. PLAN FOR EFFICIENT AND TIMELY USE OF SRF FUNDS.....	9
	F. TRANSFERS.....	10
<b>VI.</b>	<b>ASSURANCES AND SPECIFIC PROPOSALS.....</b>	<b>10</b>
<b>VII.</b>	<b>CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS.....</b>	<b>11</b>
	A. PRIORITY OF COMMUNITIES AND FINANCIAL ASSISTANCE NEEDED.....	11
	B. ALLOCATION OF FUNDS AMONG PROJECTS.....	11
<b>VIII.</b>	<b>METHOD OF AMENDMENT OF THE INTENDED USE PLAN.....</b>	<b>11</b>
<b>IX.</b>	<b>PUBLIC REVIEW AND COMMENT.....</b>	<b>12</b>

## ATTACHMENTS

<b>CHART 1</b>	<b>FY 05 INTENDED USE PLAN PROJECTS—SPECIFIC INFORMATION</b>
<b>CHART 2</b>	<b>FY 05 INTENDED USE PLAN CONTINGENCY PROJECTS—</b>
	<b>SPECIFIC INFORMATION</b>
<b>APPENDIX A</b>	<b>DWSRF FUND SOURCES AND USES</b>
<b>APPENDIX A-1</b>	<b>DESIGNATED FUND USES</b>
<b>APPENDIX B</b>	<b>FY 05 PROJECT PRIORITY RANKING LIST</b>
<b>APPENDIX B-1</b>	<b>PROCEDURES TO DETERMINE PROJECT PRIORITY LIST</b>
<b>APPENDIX C</b>	<b>IOWA DWSRF CASH FLOW DIAGRAM</b>
<b>APPENDIX C-1</b>	<b>IOWA DWSRF CASH FLOW NARRATIVE</b>

## **I. INTRODUCTION**

The State of Iowa presents its Intended Use Plan (IUP) for all funds available in the Drinking Water State Revolving Fund (DWSRF) during State Fiscal Year (FY) 2005. This plan is based on anticipated use of existing construction and equity funds available in the DWSRF loan program for assisting drinking water systems in financing infrastructure improvement projects and maintaining compliance with Safe Drinking Water Act requirements. A capitalization grant of at least \$15,244,700 is anticipated for fiscal year 2005 to provide loans for projects shown in this IUP and to fund the identified set-asides.

## **II. DWSRF FUNDS**

This IUP is based upon the DWSRF allotment available to Iowa for federal fiscal year (FFY) 2005 by Congressional appropriation. The State has applied for all capitalization grants available from appropriations made through FFY 2003, and provides the required 20% match for these capitalization grants through bonding as necessary. Federal funds available to Iowa's DWSRF loan program for FFY 2005 are estimated at \$15,244,700. The State of Iowa intends to apply for and match the FFY 2004 and 2005 capitalization grants.

State matching funds in the amount of 20% of the federal contribution will be provided through an Iowa Finance Authority (IFA) bond issue. The Iowa Finance Authority was created for the purpose of funding public infrastructure projects within Iowa. At the direction of the Iowa legislature, IFA issues bonds for various state agency purposes and has served as the mechanism for operating the Clean Water State Revolving Fund since 1988 and the DWSRF since 1998. The roles and responsibilities of IFA and the Iowa Department of Natural Resources (IDNR) with respect to the DWSRF are described in a 28-E Agreement signed in July of 1998 and kept on file in the Wallace State Office Building in Des Moines, Iowa.

It is the intent of this plan to provide funds to loan applicants with the FFY 2005 capitalization grant, state match money, funds currently in the DWSRF, and, if necessary, leveraged or transferred funds. Chart 1 Part 3 shows a total loan need of \$19,957,000 for new FY 2005 projects. These projects will be funded through the Construction Fund and the Equity Fund.

## **III. FISCAL YEAR 2005 PROJECT PRIORITY LIST**

The management of the State's revolving loan fund program, including development of a project priority list for loan assistance, was developed according to Part 567 of the Iowa Administrative Code, Chapter 44. This IUP indicates the intent to provide funds to projects ranked in priority order according to scoring criteria contained in Chapter 44 of the Iowa Administrative Code. Appendix B constitutes the State's project priority list.

Projects will be funded as ranked on the project priority list. If projects identified on the list are unable to proceed towards construction within the time limits required by EPA and Chapter 44, these projects may be placed on the contingency list or may be removed from the project priority list. Adjustment to the list of fundable projects will be made, if necessary, to assure that at least 15% of the project funds are

available to systems serving fewer than 10,000 persons as specified in Section 1452(a) (2) of the Act. Loans may be made for up to 100% of the project cost if they are eligible for funding based on engineering, environmental, and financial review and project readiness to proceed as described above.

#### A. UNFUNDED PRIOR YEAR'S PROJECTS

All projects from prior years that have not entered into a binding loan commitment are included in this IUP. Projects identified in this IUP for assistance in FY 2002, 2003, and 2004 are shown in Chart 1 Parts 1 and 2. Based on available uncommitted funds as of July 1, 2004, it is Iowa's intention to make DWSRF loans to five FY 2002 projects, 11 FY 2003 projects, and 26 FY 2004 projects during FY 2005.

#### B. SEGMENTS OF PREVIOUSLY FUNDED PROJECTS

State rules provide that subsequent segments of a project which has previously received funding priority or assistance be placed on the project priority list with the original project score. There are no applications for segmented projects in FY 2005.

#### C. NEW PROJECTS

The Department received 18 new applications for FY 2005 loan assistance. All of these applications were considered eligible and 15 of them are included in Chart 1, Part 3 for funding assistance. The remaining three projects are listed in Chart 2 as contingency projects since they have indicated that they will not be able to enter into binding commitments before the end of FY 2005.

Only projects on Chart 1 are considered fundable and projected to receive loans in FY 2005. The priority rankings for the new FY 2005 projects (Chart 1, Part 3) are shown in Appendix B.

#### D. SUPPLEMENTAL LOANS

Supplemental loans for projects listed in previously approved IUPs are added to the IUP as they are requested unless the additional funds will be used for improvements that would significantly change the scope of the project. Changes requiring additional environmental review are considered significant. Supplemental loans will not be provided for changes that would lower the original score of the project. No supplemental loans have been requested in FY 2005.

#### E. SUMMARY OF CHART 1

Based on the assumptions previously stated for DWSRF funding, there are 15 projects identified for loan assistance of \$19,957M in FY 2005 in addition to 42 projects requesting \$50,035M for FY 2002 through FY 2004 that have not yet entered loan agreements. The total need is \$69,992M for these 57 projects. These projects appear on Chart 1 by fiscal year.

#### F. CHART 2: INTENDED USE PLAN CONTINGENCY PROJECTS

In the event that projects identified for funding in the IUP do not attain readiness for a loan commitment by projected dates, these delayed projects may be bypassed. Other projects may be added to Chart 1 or Chart 2 to be funded based on the State's implementation rules for the DWSRF program (567 IAC 44). Loan applications in excess of available DWSRF assistance or unable to enter binding commitments within one year may be placed on the Contingency List (Chart 2) according to priority. As mentioned previously, three projects that applied for FY 2005 funds have been placed on the contingency list because they have indicated they do not intend to enter into binding commitments until FY 2006. These projects will be placed on the project priority list in FY 2006.

#### IV. LONG-TERM AND SHORT-TERM GOAL STATEMENTS

##### A. LONG-TERM GOALS

- Protect public health by ensuring that primary drinking water standards are met.
- Manage a perpetual program to provide financial assistance to communities and other eligible applicants for the purposes of constructing facilities to properly and adequately treat drinking water, to protect source water for drinking water systems, and to ensure that loan recipients are able to provide safe drinking water at a reasonable cost for the foreseeable future.
- Ensure the long-term viability of existing and proposed water systems.
- Provide financial assistance in the form of low-interest loans while assuring the perpetuity of the fund.
- Allocate financial assistance in a priority manner based upon the scoring criteria outlined in Chapter 44 of Part 567 of the Iowa Administrative Code.
- Apply program requirements which are simple, understandable, applicable to all projects, and the fullest extent possible are not burdensome to the recipients of assistance.
- Maintain mechanisms for funding the on-going administration of the program if federal funding is eliminated.

##### B. SHORT-TERM GOALS

- Provide loans to assist water systems in improving drinking water quality.
- Administer the State Revolving Fund program consistently with federal statute, regulation, and guidance, and in accordance with state law and promulgated rules.

- Commit loan funds to fully fund as many recipients as possible in accordance with the state scoring criteria, this IUP, staff resources, and available funding.
- Make loan commitments equal to 120% of the federal capitalization grant payments within twelve months of federal grant payment dates.
- Provide state funds through bonding in the amount required to provide at least the 20% match for capitalization grants received for FYs 2004 and 2005.
- Annually evaluate current demand to see if leveraging is necessary.
- Manage the DWSRF funds to maximize their use and impact through sound financial management.

## **V. INFORMATION ON THE DWSRF ACTIVITIES TO BE SUPPORTED**

### **A. ALLOCATION OF FUNDS**

Allocation of funds to eligible projects was based on a three-step process:

1. The amount of financial assistance needed for each application was estimated;
2. The sources and spending limits for all DWSRF funds were identified; and
3. The DWSRF funds were allocated among the projects, consistent with the financial assistance needed.

Information pertinent to each DWSRF project is contained in Chart 1.

### **B. SOURCES AND USES OF AVAILABLE DWSRF FUNDS**

The DWSRF was restructured in 2001 to provide better financial management including greater program efficiency and new opportunities. Appendix A to the Intended Use Plan illustrates the sources and uses of funds in the DWSRF as of July 1, 2004. A description of each fund in the DWSRF is summarized in Appendix A-1. The project needs total in Chart 1 reflects all unfunded needs.

The Construction Fund receives bond proceeds and is available for loans based upon each year's IUP. Capitalization grant draws are deposited into the Equity Fund or the Reserve Fund when loan outlays are made to DWSRF recipients. The Deficiency Fund screens balances in the Revenue Fund (from loan repayments) and the Reserve Fund. Balances not needed for transfer to the Bond Fund for state bond retirement are placed in the Equity Fund. Moneys in the Equity Fund are therefore not pledged to bonds and therefore have no constraints on uses relative to the state bond issues. The Equity Fund is therefore available for loans and is not restricted to the types of loans identified in the bonds.

The Deficiency Fund is a point of potential interconnection with the Clean Water State Revolving Fund (CWSRF). In the restructuring of the funds in 2001, the bond issues were cross-collateralized. The access point for any bond cross-

collateralization needs is the Deficiency Fund for both the Clean Water and Drinking Water SRFs. Should loan defaults or other shortages occur in either SRF so that balances in the Bond Fund become deficient beyond the ability of that SRF to address, the bond issue has the collateral of both programs from which to draw.

A decision to leverage DWSRF funds can be made each year as part of the bond sale process. Issuing bonds in excess of the minimum State match requirement results in an increased Construction Fund balance. A decision to leverage is made at the time of each bond sale and is based on current loan demand, anticipated loan needs and the benefit to the SRF fund.

Appendix A shows the total funds available for loan use as \$50,247,741. Chart 1 shows total loan needs for FY 2005 (Chart 1, Parts 1 through 3) to be \$69,992,000. This leaves a difference of \$19,744,259 that could be funded in whole or in part through leveraging or with funds transferred from the CWSRF if necessary.

### C. DWSRF POLICIES

#### 1. Loan Interest Rate

The interest rate for all loans made through the DWSRF in FY 2005 will be determined in accordance with state rules (see 567 IAC—44.14). Loans have a fixed interest rate of 3 percent. Adjustments to this interest rate to meet future needs will require a rule change.

#### 2. Maximum Loan

Iowa rules limit the maximum loan to any applicant in one year to no more than 50% of the available funds in that year. No project on the FY 2005 IUP is anticipated to be limited by this provision.

#### 3. Project Readiness

Applicants cannot be offered assistance until they meet program requirements. Based on the environmental reviews that have been conducted on funded projects to date, it is not anticipated that any of these projects will need to undergo the development of an Environmental Impact Statement (EIS).

#### 4. Funding Limitations

Pending loans identified in this IUP exceed the available funds in the DWSRF program. As a result, if all the loans listed in Chart 1, Parts 1, 2, and 3 were to enter into binding commitments during FY 2005, the Department would be expected to leverage to make up the difference. It might also be feasible to obtain a transfer of CWSRF funds during FY 2005, but the amount eligible for transfer would not be enough to meet demand if all loans on Chart 1 were made prior to the end of FY 2005. The Department will only leverage if it is deemed necessary by consultations with EPA and the Department's financial

advisors. If necessary, lowest priority projects on Chart 1 could be transferred to the contingency list, Chart 2.

#### D. INTENDED USE OF SET-ASIDES

##### 1. DWSRF Program Administration Set-Aside

Iowa does not intend to take this set-aside to pay the costs of administering the State Revolving Fund loan program in FY2005. This set-aside was taken in each of the fiscal years between 1997 and 2003, and Chart 1, Part 4 shows set-aside amounts and the balance of unspent funds for each year. Uses of these funds may include loan portfolio management, debt issuance, financial, management and legal consulting fees, an assessment of the project priority needs and ranking, costs for conducting public hearings and the proposed project list, project technical and environmental review, work on current and future needs surveys, project initiation conference costs, Department review of credit worthiness and related support services.

The annual budgets for program administration have been less than the 4% allowed by the DWSRF for administrative costs. Unused commitments are reserved for use in future years as necessary should capitalization grants be reduced or actual costs increase.

##### 2. Small System Technical Assistance Set-Aside

Iowa intends to use DWSRF funds equivalent to 2% of the federal capitalization grant funds to provide technical assistance to public water supplies serving populations of less than 10,000. Based on Iowa's FY 2005 estimated allotment, the state is projected to have approximately \$305,000 available for FY 2005 for the provision of technical assistance to small systems. The Department may contract with technical assistance providers possessing expertise in dealing with small systems, and contracts may utilize Department personnel and supplementary resources.

Chart 1, Part 5 shows FY 2000-2004 small systems technical set-aside amounts and the balance of unspent funds for each year. The annual budgets for technical assistance to small systems have been less than the 2% allowed for this program because state budget constraints for several years forced the Department to retain these funds in the event that they had to be used to fund the technical assistance activities of Department staff.

The Department issued a request for technical assistance proposals during 2002 and elected to fund a total of three projects from this set-aside. The projects include a continuing contract to provide hands-on assistance to systems completing their consumer confidence reports, a continuing contract to fund on-site technical assistance to systems in need of capacity development, and a value engineering project related to DWSRF projects. The Department plans to issue another request for proposals for technical assistance during FY 2005.

##### 3. State Program Support Set-Aside



Iowa intends to set-aside \$250,000 for the public water system supervision program during FY 2005. This set-aside was taken during FY 2001, but was not fully utilized because the requirement for state matching funds could not be met. The FY 2001 set-aside and balance of unspent funds is shown in Chart 1, Part 6. With newly implemented construction permitting fees in place as a source of state matching funds, it is anticipated that IDNR will now be able to better utilize this set-aside. The Department will continue to draw the funds set aside in FY 2001 until the FY 2005 capitalization grant is received. At that time, IDNR will revert the balance of the 2001 funds back to the equity fund and will begin utilizing the \$250,000 set aside in this IUP.

The IDNR also intends to set aside \$175,000 to investigate the source(s) of high bacterial counts along the Des Moines and Raccoon Rivers that act as source water for Des Moines Water Works. Information gained during the study will be used to identify source water protection strategies available to Des Moines Water Works as allowed by 1452(g)(2)(B).

Unused commitments are reserved for use in future years as necessary.

#### 4. Other Authorized Activities Set-Aside

Set-aside funds committed in FY 1998 to fund the delineation and assessment of source water protection areas have been utilized and the assessments are complete. Assessment is continuing on wells that have been added since 1998 and the remainder of the funds will be expended during FY 2005. To supplement these funds and to fund two contractors to assist community public water supplies in development of wellhead protection plans, \$192,000 is being set aside in FY 2005.

A set-aside of \$350,000 was taken in FY 2003 to develop an interactive internet site for use by public water supplies, consultants, and the public pursuing local source water protection information, as allowed by Sec 1452(k)(1)(D). The contract for this project was signed during FY 2004 and drawdown of funds is expected during FY 2005. Chart 1, Part 7 shows FY 97-03 source water protection implementation set-aside amounts and the balance of unspent funds for each year.

Unused commitments are reserved for use in future years as necessary.

#### E. PLAN FOR EFFICIENT AND TIMELY USE OF SRF FUNDS

As noted in V.C.4. above, the Department may need to leverage in FY 2005 because project needs exceed the amount of funds available from the capitalization grants, state match funds, and funds remaining in the Construction and Equity Funds.

As shown in Appendix A, "DWSRF Fund Sources and Uses," \$7,123,891 is available in the uncommitted portion of the Construction Fund and \$43,123,850 is available in the Equity Fund. This makes the total amount available for loans \$50,247,741. The total amount necessary for uncommitted FY 2002-2004

projects and new FY 2005 projects is \$69,992,000. The difference between available funds and project requests is \$19,744,259. It is anticipated this difference will be made up with leveraged funds or a combination of leveraged funds and a transfer from the CWSRF.

#### F. TRANSFERS

The Department transferred the maximum allowed for FY 1999-2002 (\$16.8M) from the CW to the DWSRF in FY 2003. The Department also reserves the right to transfer 33% of the 2003, 2004, and 2005 capitalization grants between the CW and the DWSRF after capitalization grants have been awarded.

A transfer could be considered should the amount of available CWSRF funding exceed the planned usage. Since the demand for DWSRF loans has exceeded the amount of the capitalization grant and state match, a transfer could minimize leveraging the DWSRF and expend CWSRF funds in a timelier manner.

### **VI. ASSURANCES AND SPECIFIC PROPOSALS**

Iowa will provide the necessary assurances and certifications according to the Operating Agreement between the State of Iowa and the U.S. EPA. Iowa's Operating Agreement includes the requirements of the Safe Drinking Water Act, outlined below:

- Environmental Reviews  
The State of Iowa will conduct environmental reviews as specified in the Project Review procedures attached to the Operating Agreement and program rules as outlined in Chapter 44 of Part 567 of the Iowa Administrative Code.
- Binding Commitments  
The State of Iowa will enter into binding commitments for 120% of each quarterly payment within one year of receipt of that payment.
- Expeditious and Timely Expenditures  
The State of Iowa will expend all funds in the DWSRF in a timely and expeditious manner. The State of Iowa is committed to manage DWSRF projects and process disbursement requests expeditiously.

All projects and activities supported by federal grants are required to comply with certain federal laws and executive orders dealing with environmental and socio-economic criteria, commonly called "cross-cutters." The Department is required to assure that projects funded in an amount equal to the capitalization grant meet these cross-cutters. Iowa will meet the cross-cutter requirements using state technical review regulations and procedures outlined in Chapter 44 of the Iowa Administrative Code, Part 567.

### **VII. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS**

The following approach was used to develop Iowa's proposed distribution of DWSRF funds: (1) analysis of the priority of communities applying and financial assistance needed; (2) identification of the sources and spending limits of available funds; (3)

allocation of funds among projects; (4) development of a payment schedule which will provide for making timely binding commitments to the projects selected for DWSRF assistance; and (5) development of a disbursement schedule to pay the project costs as incurred.

#### A. PRIORITY OF COMMUNITIES AND FINANCIAL ASSISTANCE NEEDED

Iowa law provides only for loan assistance. The state's DWSRF rules identify the priority rating system used to establish priorities for loan assistance. Charts 1 and 2 become the state's Project Priority List.

Projects are considered eligible for loan financing assistance of all planning and project costs as long as the project is on a the project list of an approved Intended Use Plan.

#### B. ALLOCATION OF FUNDS AMONG PROJECTS

All projects listed in Charts 1 and 2 are eligible for assistance and may be funded from the DWSRF subject to available funds.

All projects scheduled for funding with Iowa's DWSRF will be reviewed for consistency with the Safe Drinking Water Act, as amended. Should a project fail to meet this review criterion, it may be bypassed or deleted from the funding list. Chart 2 provides for contingency projects, which may be considered for loan assistance as bypass projects according to state rules without formal amendment of this IUP. Projects may be added to Chart 2 in priority order as applications are received.

### **VIII. METHOD OF AMENDMENT OF THE INTENDED USE PLAN**

The State will follow this IUP in administering DWSRF funds in FY 2005. The IUP must be subjected to public review and comment. Any revisions of the goals, policies and method of distribution of funds must be addressed by a revision of the IUP, including public participation. Minor adjustments in funding schedules, loan amounts, and use of bypass provisions including funding of projects on the contingency list are allowed by the procedures of this IUP and state rules for administration of the DWSRF without public notification. Adjustments to Chart 1 to utilize actual funds available to the DWSRF for FY 2005 will be considered minor and only affected applicants will be notified. Public notice of amendments will be made if municipalities are added to or removed from Charts 1 or 2.

## **IX. PUBLIC REVIEW AND COMMENT**

The Department of Natural Resources held a public hearing on June 15, 2004 at the Water Supply Offices in Des Moines, Iowa to allow input to Iowa's FY 2005 Intended Use Plan and Project Priority List. The Department published notice of the hearing in the Iowa Administrative Bulletin. The public comment period remained open for ten days following the hearings; thirteen comments were received from six commenters. The responses to the comments are contained in a responsiveness summary that is available upon request from the IDNR.

## Chart 1: FY 2005 Intended Use Plan Projects – Specific Information

Chart 1 Part 1: FY02-03 Drinking Water Projects

Project Name Community Served	Project Number	Assistance Amount (\$1,000)	Binding Commitment Date	Construction Start Date	Initiate Operation Date	Priority Points	Type of Project
Dunlap	FS-43-02-DWSRF-012	152	12/04	12/04	10/05	55	B, C, E
Calmar	FS-96-02-DWSRF-061	793	12/04	12/04	12/05	55	B, C, E
Breda	FS-14-02-DWSRF-048	506	09/04	09/04	09/05	50	B, C, E
Jewell	FS-40-02-DWSRF-051	1,223	08/04	08/04	10/05	45	B, E
IA-American Clinton	FS-23-02-DWSRF-062	411	09/04	09/04	11/05	15	D
Van Horne	FS-06-03-DWSRF-007	420	09/04	09/04	09/05	55	B, C, E
West Branch	FS-16-03-DWSRF-015	2,600	10/04	10/04	10/06	55	B, C, E
Winfield	FS-44-03-DWSRF-014	1,274	08/04	08/04	08/05	50	B, D, E
Aurelia	FS-18-03-DWSRF-006	159	11/04	11/04	11/05	45	B, E
Cambridge	FS-85-03-DWSRF-012	610	08/04	06/04	08/05	45	B, C
Delhi	FS-28-03-DWSRF-017	116	08/04	08/04	08/05	45	B, E
Charlotte	FS-23-03-DWSRF-018	833	07/04	06/04	06/05	40	B, C, E
Corydon	FS-93-03-DWSRF-016	1,193	09/04	09/04	11/05	40	B, C, E
Elkader	FS-22-03-DWSRF-008	2,033	09/04	09/04	09/05	40	B, C, E
Farmersburg	FS-22-03-DWSRF-002	560	07/04	04/04	04/05	40	B, C, E
Goose Lake	FS-23-03-DWSRF-011	564	10/04	10/04	10/05	30	B, E

Part 1 Total 13,447

A = Water Quality and Human Health Risk-Related Criteria, B = Infrastructure and Engineering-Related Improvement, C = Affordability Criteria, D = Special Category Improvements, E = Project Serves Population less than 10,000, F = Supplemental Loan for Previously Approved Project

Chart 1 Part 2: FY04 Drinking Water Projects

Project Name Community Served	Project Number	Assistance Amount (\$1,000)	Binding Commitment Date	Construction Start Date	Initiate Operation Date	Priority Points	Type of Project
Ionia	FS-19-04-DWSRF-004	220	03/05	06/05	12/05	70	A, B, C, E
Maquoketa	FS-49-04-DWSRF-013	2,500	03/05	06/05	12/05	70	A, C, E
Ottumwa	FS-90-04-DWSRF-017	12,166	03/05	06/05	12/05	60	B, C, D
Rock Rapids*	FS-60-04-DWSRF-007	54*	03/05	06/05	12/05	60	B, D, E
Bancroft	FS-55-04-DWSRF-030	183	08/04	08/04	12/05	55	B, C, E
Braddyville	FS-73-04-DWSRF-015	222	03/05	06/05	12/05	55	B, C, E
Elma	FS-45-04-DWSRF-005	325	03/05	06/05	12/05	55	B, C, E
Grand Mound	FS-23-04-DWSRF-029	480	03/05	06/05	12/05	55	B, C, E
Mitchellville	FS-77-04-DWSRF-002	2,230	03/05	06/05	12/05	55	B, C, E
Riverton	FS-36-04-DWSRF-014	113	03/05	06/05	12/05	55	B, C, E
Leon	FS-27-04-DWSRF-003	998	03/05	06/05	12/05	50	B, C, E
Richland	FS-54-04-DWSRF-008	730	03/05	06/05	12/05	50	B, C, E
Asbury	FS-31-04-DWSRF-021	500	03/05	06/05	12/05	45	B, E
Burds Green Acres	FS-31-04-DWSRF-024	84	03/05	06/05	12/05	45	B, E
Lansing	FS-03-04-DWSRF-025	332	03/05	06/05	12/05	45	B, E
Milford Municipal Utilities	FS-30-04-DWSRF-020	3,193	09/04	09/04	09/05	45	B, E
Nevada	FS-85-04-DWSRF-022	5,834	03/05	06/05	12/05	45	B, E
Albia	FS-68-04-DWSRF-012	1,086	03/05	06/05	12/05	40	B, C, E
Delta	FS-54-04-DWSRF-001	218	03/05	06/05	12/05	40	B, C, E
Early	FS-81-04-DWSRF-006	362	03/05	06/05	12/05	40	B, C, E
Farmington	FS-89-04-DWSRF-018	340	03/05	06/05	12/05	40	B, C, E
Farragut	FS-36-04-DWSRF-016	475	03/05	06/05	12/05	40	B, C, E
Glidden	FS-14-04-DWSRF-027	850	03/05	06/05	12/05	40	B, C, E
Gowrie Municipal Utilities	FS-94-04-DWSRF-023	695	08/04	06/05	12/05	40	B, C, E
Vail	FS-24-04-DWSRF-019	333	03/05	06/05	12/05	40	B, C, E
Panora	FS-39-04-DWSRF-026	2,065	03/05	06/05	12/05	30	B, E

\*Additional \$125,000 loan will be made for land purchase out of the Source Water Protection Set Aside. See Chart 1 Part 7.

Part 2 Total      36,588

Chart 1 Part 3: FY05 Drinking Water Projects

Project Name Community Served	Project Number	Assistance Amount (\$1,000)	Binding Commitment Date	Construction Start Date	Initiate Operation Date	Priority Points	Type of Project
Iowa City Regency MHP	FS-52-05-DWSRF-014	435	03/05	06/05	06/06	110	A, B, D, E
Clarinda	FS-73-05-DWSRF-009	7,346	12/04	03/05	06/06	85	A, B, E
Palo	FS-57-05-DWSRF-016	2,719	10/04	09/04	09/05	80	A, C, E
Ellsworth	FS-40-05-DWSRF-011	1,350	03/05	05/05	05/06	75	A, B, C, E
Exira	FS-05-04-DWSRF-009	563	03/04	06/04	12/05	55	B, C, E
Laurens	FS-76-05-DWSRF-005	356	10/04	10/04	10/05	55	B, C, E
Lockridge	FS-51-05-DWSRF-008	335	10/04	10/04	06/05	55	A, B, C, E
Emmetsburg	FS-74-05-DWSRF-012	3,400	03/05	06/05	06/06	45	B, E
Joice	FS-98-05-DWSRF-006	641	03/05	06/05	06/06	45	B, E
Maynard	FS-33-05-DWSRF-003	339	10/04	10/04	10/05	45	B, E
Ossian	FS-96-05-DWSRF-013	578	10/04	10/04	10/05	45	B, E
Willow Stream Estate HOA	FS-82-05-DWSRF-010	217	10/04	10/04	10/05	45	B, E
Lowden	FS-16-05-DWSRF-001	514	10/04	03/05	03/06	40	B, E
Hudson	FS-07-05-DWSRF-007	700	09/04	04/05	04/06	30	B, E
Keota	FS-54-05-DWSRF-004	464	03/05	05/05	05/06	30	B, E

Part 3 Total 19,957

A = Water Quality and Human Health Risk-Related Criteria, B = Infrastructure and Engineering-Related Improvement, C = Affordability Criteria, D = Special Category Improvements, E = Project Serves Population less than 10,000, F = Supplemental Loan for Previously Approved Project

Chart 1 Part 4: Program Administration Set-Aside

	Amount Set Aside (\$1,000)		Balance Remaining (\$1,000)
PGM-ADM (98)	449		164
PGM-ADM (99)	471		421
PGM-ADM (00)	490		490
PGM-ADM (01)	491		491
PGM-ADM (02)	591		591
PGM-ADM (03)	591		591
Part 4 Total	3,083		2,748

Chart 1 Part 5 Small Systems Technical Assistance Set-Aside

	Amount Set Aside (\$1,000)		Balance Remaining (\$1,000)
PGM-SSTA (00)	245		36
PGM-SSTA (01)	246		246
PGM-SSTA (02)	296		296
PGM-SSTA (03)	294		294
PGM-SSTA (04)	305		305
PGM-SSTA (05)	305		305
Part 5 Total	1,691		1,482



Chart 1 Part 6: State Program Set-Aside

Project Name Community Served	Amount Set Aside (\$1,000)		Balance Remaining (\$1,000)
PGM-PWSS (01)	1,229		1,135
PGM-PWSS (05)	425		425
Part 6 Total	1,654		1,560

Chart 1 Part 7: Source Water Protection Set-Aside

Project Name Community Served	Amount Set Aside (\$1,000)		Balance Remaining (\$1,000)
PGM-SWP (97)	1,686		72
PGM-SWP (02)	40		0
PGM-SWP (03)	350		350
PGM-SWP (04)	125		125
PGM-SWP (05)	192		192
Part 7 Total	2,393		739

**Chart 2: FY 2005 Intended Use Plan Contingency Projects – Specific Information**

Project Name Community Served	Project Number	Assistance Amount (\$1,000)	Binding Commitment Date	Construction Start Date	Initiate Operation Date	Priority Points	Type of Project
Calamus	FS-23-05-DWSRF-015	759	10/05	09/05	09/06	55	B, C, E
Edgewood	FS-22-05-DWSRF-002	210	09/05	03/05	03/06	55	B, C, E
Merrill	FS-75-05-DWSRF-017	300	12/05	03/05	04/05	45	B, E

Part 1 Total            1,269

## **APPENDIX A**

### **DWSRF FUND SOURCES AND USES**

#### **SOURCES:**

Prior Bond Proceeds	14,092,056
Series 2004 Net Bond Proceeds	3,048,940
Undisbursed Capitalization Grants	9,972,683
Pending 2004 Capitalization Grant	15,244,700
Pending 2005 Capitalization Grant	15,244,700
Pending State Match for 2005 Capitalization Grant	3,048,940
Equity Fund	26,242,476
<b>TOTAL</b>	<b>86,894,495</b>

#### **USES:**

Construction Fund loans - undisbursed	13,759,045
Construction Fund loans - uncommitted	7,123,891
Equity Fund loans - undisbursed	16,363,853
Equity Fund loans - uncommitted	43,123,850
Reserve Fund	-
Program Set-Asides/Administration	6,523,856
<b>TOTAL</b>	<b>86,894,495</b>

**(Total amount available for loans = \$50,247,741)**

## **APPENDIX A-1**

### **DESIGNATED FUND USES**

#### **MASTER TRUST AGREEMENT**

##### **EQUITY FUND**

The Drinking Water Account of the Equity Fund shall receive:

1. Grant proceeds pursuant to a Capitalization Grant Agreement for the Drinking Water Program, and
2. Amounts transferred from the Drinking Water Account of the Deficiency Fund, and
3. Investment earnings from certain Drinking Water Accounts in the Master Trust, and
4. All loan principal and interest payments received for loans made from the Drinking Water Account of the Equity Fund, including prepayments but excluding repayments on loans transferred to a Series of Bonds.

The Drinking Water Account of the Equity Fund shall be used for the following actions:

1. To originate a loan agreement with a Drinking Water participant for project costs and subsequently disburse funds to the participant, or
2. To transfer for deposit in a Reserve Account established under a Series of Bonds issued for the Drinking Water Program, or
3. To transfer or disburse funds and enter into loan agreements for any other purposes, programs or undertakings that may be authorized by the Safe Drinking Water Act and rules enacted by DNR with respect to the Drinking Water Program.

##### **DEFICIENCY FUND**

The Drinking Water account of the Deficiency Fund shall receive:

1. All amounts released by a Bond Indenture Trustee with respect to a Series of Bonds issued for the Drinking Water Program.

The Drinking Water Account of the Deficiency Fund shall be used for the following actions on each interest payment due:

1. To transfer an amount certified by a Bond Indenture Trustee necessary to make the debt service payment due for a Series of Bonds issued for the Drinking Water Program, and next
2. To transfer an amount certified by a Bond Indenture Trustee necessary to make the debt service payment due for a Series of Bonds issued for the Clean Water program, and next
3. To set aside and hold an amount certified by a Bond Indenture Trustee necessary to replenish any deficiency in a Reserve Account for a Series of Bonds issued for the Drinking Water Program until notified that said Reserve Account has been replenished, and next
4. To set aside and hold an amount certified by a Bond indenture Trustee necessary to replenish any deficiency in a Reserve Account for a Series of Bonds issued for the Clean Water Program until notified that said Reserve Account has been replenished, and next

5. To transfer and replenish the Clean Water Account of the Deficiency Fund any amounts previously advanced for the benefit of a Series of Bonds issued for the Drinking Water Program, and next
6. To withdraw and deposit any remaining amounts in the Drinking Water Account of the Equity Fund.

## **STATE ADMINISTRATION FUND**

The Drinking Water Account of the State Administration Fund shall receive payments of all loan initiation fees and servicing fees from Drinking Water participants.

The Drinking Water Account of the State Administration Fund shall be expended and disbursed for the payment of the administrative costs of the Drinking Water Program, or for other purposes permitted under the Safe Drinking Water Act.

## **SET-ASIDE FUND**

The Drinking Water Account of the Set-Aside Funds shall receive amounts available under one or more of the Capitalization Grant Agreements and the state match portion from a Series of Bonds.

The Drinking Water Account of the Set-Aside Funds shall be expended and disbursed for the payment of the administrative costs of the Drinking Water Program, technical assistance for small systems, supervision of the public water system program, source water protection activities, or other purposes permitted under the Safe Drinking Water Act.

## **BOND INDENTURE**

### **BOND FUND**

The DWSRF Account of the Bond Fund shall be used solely for the payment of the principal and interest on a Series of Bonds issued under the Drinking Water Program.

### **REVENUE FUND**

The DWSRF Revenue Account of the Revenue Fund shall be used to collect revenues paid to the Authority under the Loan and Disbursement Agreements for the Drinking Water Program, plus investment income from the investment of moneys within certain funds and accounts created under the Indenture. The Trustee may transfer amounts sufficient to pay the principal and interest on a Series of Bonds when due to the applicable accounts of the DWSRF Account of the Bond Fund. The Trustee may also make monthly transfers to the DWSRF Reserve Account of the Reserve Fund if the amount on deposit is less than the reserve requirement, or to the DWSRF Rebate Fund. Principal amounts received from Drinking Water participants, due to an optional redemption of all or a portion of the Loan Agreement, may be transferred to the Construction Fund for the purpose of making loans to other Drinking Water participants or transferred to the Master Trustee for deposit in the Drinking Water Account of the Deficiency Fund.

The Administration Subaccount of the DWSRF Account of the Revenue Fund initially receives all initiation fees and servicing fees for transfer to the Master Trustee.

## **CONSTRUCTION FUND**

The proceeds from a Series of Bonds issued under the Drinking Water Program, less any accrued interest, cost of issuance moneys, and the state match portion of the administration set-aside, shall be deposited in the DWSRF Loan Account of the Construction Fund to be expended and disbursed for loans to finance projects undertaken by Drinking Water participants.

## **RESERVE FUND**

The DWSRF Reserve Account of the Reserve Fund is a debt service to secure the leveraged portion of bonds using federal capitalization grant moneys. The Trustee may transfer moneys to the leveraged DWSRF subaccounts of the Bond Fund if funds on deposit are insufficient to pay the leveraged debt service when due. If the amount on deposit in the DWSRF Reserve Account is less than required, the Trustee may transfer moneys from the Revenue Fund or by the Master Trustee from the Deficiency Fund established under the Master Trust Agreement. If at any time the amount on deposit in the DWSRF Reserve Account is greater than required, any excess shall be released from the Reserve Fund and transferred to the Deficiency Fund.

## **COST OF ISSUANCE FUND**

Moneys in the DWSRF Cost of Issuance Account of the Cost of Issuance Fund from proceeds of a Series of Bonds shall be expended and disbursed solely for payment of the costs of issuance of the bonds. Any excess moneys shall be transferred to the Bond Fund, or to another fund or account specified by the Authority.

## **REBATE FUND**

The Trustee shall deposit into the DWSRF Rebate Fund the amounts specified by the Authority from the DWSRF Interest Subaccount of the DWSRF Revenue Account of the Revenue Fund. Amounts on deposit in the DWSRF Rebate Fund may be used solely to make payments to the United States of America and to pay or reimburse allowable costs related to the calculation of the amounts due. Any excess moneys shall be returned to the Interest Subaccount of the DWSRF Revenue Account.

## **APPENDIX B**

### **FY 05 PROJECT PRIORITY RANKING LIST**

<b>Project Pool</b>	<b>Applicants</b>	<b>Priority Points</b>
Prior to 7/1/2004	Ionia	70
	Maquoketa	70
	Ottumwa	60
	Rock Rapids	60
	Bancroft	55
	Braddyville	55
	Calmar	55
	Dunlap	55
	Elma	55
	Grand Mound	55
	Mitchellville	55
	Riverton	55
	Van Horne	55
	West Branch	55
	Breda	50
	Leon	50
	Richland	50
	Winfield	50
	Asbury	45
	Aurelia	45
	Burds Green Acres	45
	Cambridge	45
	Delhi	45
	Jewell	45
	Lansing	45
	Milford Municipal Utilities	45
	Nevada	45
	Albia	40
	Charlotte	40
	Corydon	40
	Delta	40
	Early	40
	Elkader	40
	Farmersburg	40
	Farmington	40
	Farragut	40
	Glidden	40
	Gowrie	40
	Vail	40
	Goose Lake	30

After 7/1/2004	Panora	30
	IA-American Clinton	15
	Iowa City Regency MHP	110
	Clarinda	85
	Palo	80
	Ellsworth	75
	Exira	55
	Laurens	55
	Lockridge	55
	Emmetsburg	45
	Joice	45
	Maynard	45
	Ossian	45
	Willow Stream Estate HOA	45
	Lowden	40
	Hudson	30
	Keota	30
After 7/1/2005	Calamus	55
	Edgewood	55
	Merrill	45



## **APPENDIX B-1**

### **PROCEDURES TO DETERMINE PROJECT PRIORITY LIST**

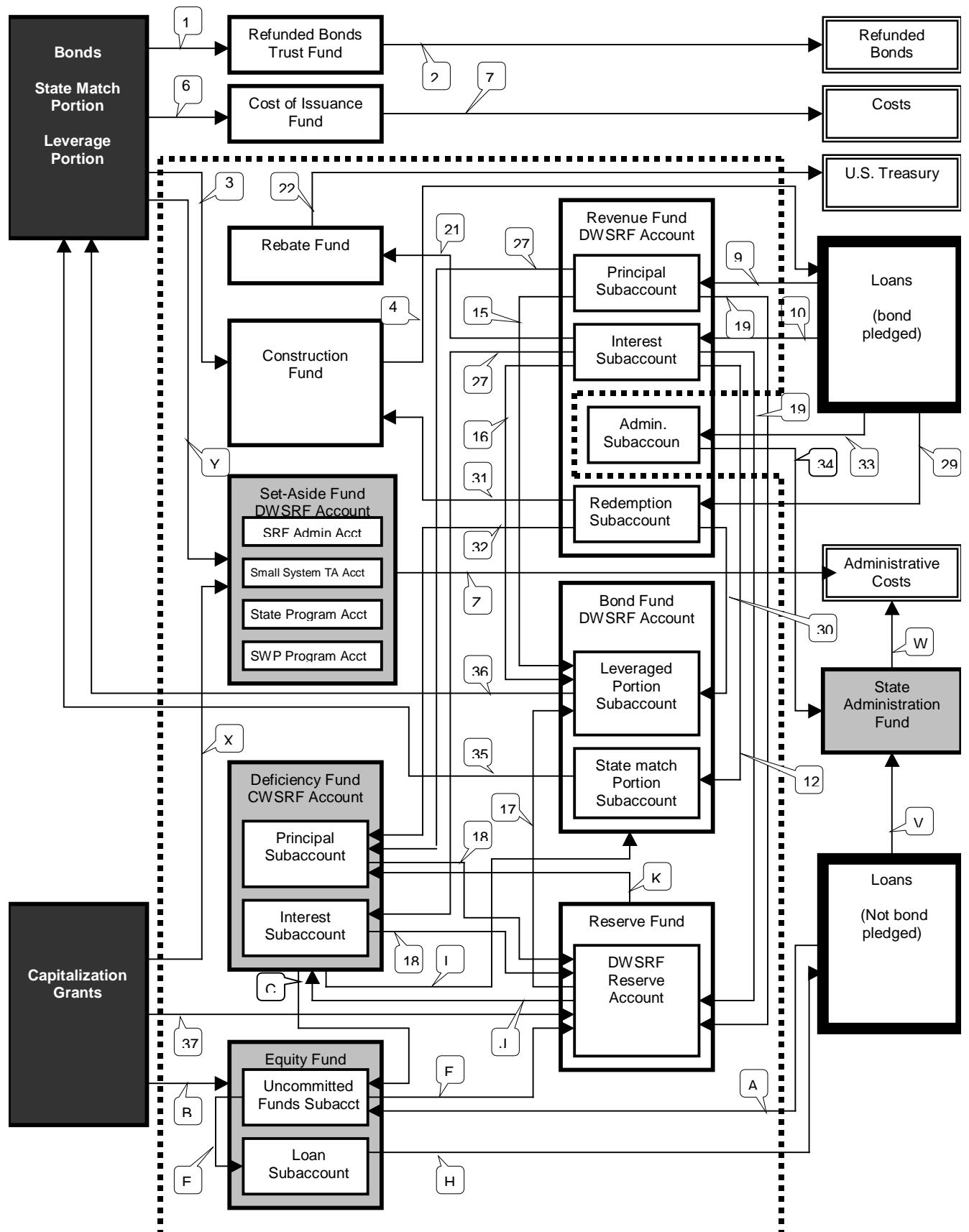
Project rankings were determined by the following procedures:

- Eligibility of applications were determined by needs criteria identified in IAC 567—44.7(8). In general, most water source, treatment and distribution system improvements are considered eligible.
- Project applications received during the FY 2005 application period were considered for funding in FY 2005; if not funded by the end of FY 2005, these projects will be moved to the FY 2006 project priority list.
- The priority ranking is a total score developed using the scoring criteria listed in IAC 567—44.7(8). Points may be gained in each of five categories: Water Quality and Human Health Risk-Related Criteria (60 point maximum), Infrastructure and Engineering-Related Improvement Criteria (35 point maximum), Affordability Criteria (10 point maximum), Special Category Improvements (15 point maximum), and IDNR Adjustment Factor for Population (10 points). The combined score provides a numerical measure to rank each project within its pool. A project with a larger number receives higher priority.
- The final project priority list for a fiscal year's project pool is compiled in the following manner: Subsequent segments of projects funded by DWSRF loan programs of previous years will retain their original score and be added to the list of the current year's applications.
- Loan-eligible projects submitted after the year's IUP has been approved will be placed on the contingency list of the FY 2005 IUP. If the project is anticipated to proceed during FY 2005, the project will be added to the project priority list and the list will be made available for public comment at the end of each calendar quarter in which one or more projects are added to the list.
- Projects on the project priority list will be added to the contingency project list if the total amount of needs exceeds the year's DWSRF staff resources capability and loan funding or if it is known that the project will be unable to be funded during FY 2005. Projects will be funded from the top down in the ranking order of the project priority list. Projects are ranked similarly in the contingency project list. The top project in the contingency list can be moved to the funding list when funds are available or when the project is ready to proceed. Funds can be made available due to a number of reasons including project bypasses, loan application withdrawal of other projects, reduction in loan amount requests, or an increase in available funds.

**APPENDIX C**

**IOWA DWSRF CASH FLOW DIAGRAM**

# Iowa DWSRF Flow of Funds Diagram for Restructured SRF



## **APPENDIX C-1**

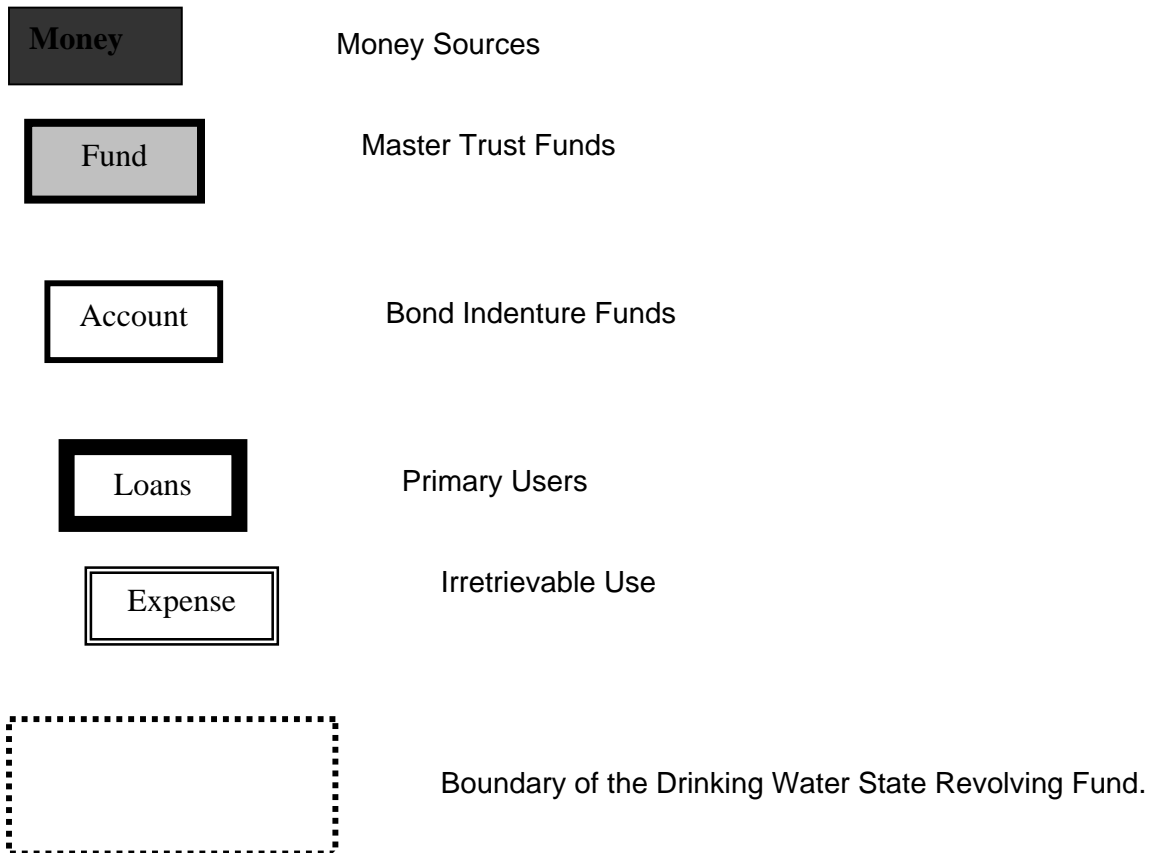
### **IOWA DWSRF CASH FLOW NARRATIVE**

The Drinking Water SRF Flow Chart is shown. Major fund flow paths are shown. Not all routes described in the Master Trust Agreement and the Bond Indenture show on this chart. The CWSRF flow chart appears the same with proper labeling. The two SRF programs are operated independently. The only point of contact in their flow charts occurs in relationships provided for in the Master Trust Agreement among the Deficiency Fund, Bond Fund and the Reserve Fund due to cross-collateralization. Because of the complexity of cross-collateralization, details cannot be easily portrayed graphically.

For a review of cross-collateralization provisions in Iowa SRF bond documents refer to the Master Trust Agreement Section 305. The Master Trust Agreement describes the details of cross-collateralization that meet EPA requirements specifically in paragraphs “d” and “e” of Section 305.

The following key will enable the chart to be understood more easily and cross-referenced with bond documents. The document references will vary for the CWSRF, however are in adjacent sections of the documents.

Chart figures:



Fund Flow Path Descriptions:

Flow Path Callout	Indenture Reference Section/Line	Master Trust Reference Section
1	5.3/1	
2	5.3/6	
3	5.4/2	
4	5.4/5	
6	5.5/1	
7	5.5/5	
9	5.6/11	
10	5.6/13	
12	5.7/5	
15	5.7/9	
16	5.7/10	
17	5.7/13	
18	5.8(b)/9	
19	5.8(b)/3	
21	5.9/3	
22	5.9/4	
27	5.6/last sentence	See also 304(b), line 4
29	5.6/19	
30	5.6/21	
31	5.6/23	
32	5.6/25	
33	5.6/29	
34	5.6/31	
35	5.7(a)/7	
36	5.7(b)/5	
37	5.8(e)/5	
A		302(b)(1)
B		302(b)(2)
C		302(b)(3)
F		303(b)(1)
H		303(b)(3)
J		304(b), line 6
K	See also 5.8(c)/10	304(b), line 8
L		305(b)(1)
V		306, line 3
W		306, line 6
X		307, line 4
Y		307, line 8
Z		307, line 10